

## **Abstract**

An earnings volatility reduction procedure includes determining a first sensitivity value of a portfolio to underlying market conditions, trading in an immunizing instrument having a second sensitivity value substantially equal in magnitude and opposite in value of the first sensitivity value, and trading in a qualifying instrument having a third sensitivity value substantially equal to the first sensitivity value. A derivative portfolio (in particular, one that includes a financial instrument for which changes in value are characterized as earnings pursuant to FAS 133) is structured by determining a sensitivity of the derivative portfolio with respect to financial conditions in a trading market, executing an immunizing purchase of a second trading instrument in an amount equal to the magnitude of the current sensitivity and opposite in value, and executing a qualifying sale of a third trading instrument in an amount equal to amount of the current sensitivity.